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PUBLIC SERVICE
COMMISSION

March 25, 2003

Mr. Thomas Dorman
Executive Director Public Service Commission
PO Box 615
211 Sower Blvd.
Frankfort, KY 42602

Case 2004-00106

RE: Case # Gas Cost Adjustment Report

Dear Mr. Dorman:

The following document is Millennium Energy's Gas Cost Adjustment Report for quarter, May 1, 2004- July 31, 2004.

Sincerely,

A handwritten signature in black ink, appearing to read "Gary K. Dillard", written over a horizontal line.

Gary K. Dillard
Executive Vice President

QUARTERLY REPORT OF GAS COST
RECOVERY RATE CALCULATION

Date Filed: April 1, 2004

Date Rates to be Effective: May 1, 2004 TO July 31, 2004

Reporting Period is Calendar Quarter Ended:

SCHEDULE I
GAS COST RECOVERY RATE SUMMARY

| <u>Component</u> | <u>Unit</u> | <u>Amount</u> |
|--------------------------------|-------------|-----------------|
| Expected Gas Cost (EGC) | \$/Mcf | \$ 5.6211 |
| + Refund Adjustment (RA) | \$/Mcf | - |
| + Actual Adjustment (AA) | \$/Mcf | 0.8408 |
| + Balance Adjustment (BA) | \$/Mcf | <u>(0.1143)</u> |
| = Gas Cost Recovery Rate (GCR) | \$/Mcf | \$ 6.3477 |

GCR to be effective for service rendered from 5/1/04 to 7/31/04.

| <u>A. EXPECTED GAS COST CALCULATION</u> | <u>Unit</u> | <u>Amount</u> | |
|--|-----------------|-------------------|---------|
| Total Expected Gas Cost (Schedule II) | \$ | \$ 54,889.59 | |
| + Sales for the 12 months ended 1/31/2004 | Mcf | <u>9,765</u> | |
| - Expected Gas Cost (EGC) | \$/Mcf | \$ 5.6211 | |
| <u>B. REFUND ADJUSTMENT CALCULATION</u> | <u>Unit</u> | <u>Amount</u> | |
| Supplier Refund Adjustment for Reporting Period (Sch. III) | \$/Mcf | \$ - | |
| + Previous Quarter Supplier Refund Adjustment | \$/Mcf | \$ - | |
| + Second Previous Quarter Supplier Refund Adjustment | \$/Mcf | \$ - | |
| + Third Previous Quarter Supplier Refund Adjustment | \$/Mcf | <u>\$ -</u> | |
| = Refund Adjustment (RA) | \$/Mcf | \$ - | |
| <u>C. ACTUAL ADJUSTMENT CALCULATION</u> | <u>Unit</u> | <u>Amount</u> | |
| Actual Adjustment for the Reporting Period (Schedule IV) | \$/Mcf | \$ 0.1518 | Expires |
| + Previous Quarter Reported Actual Adjustment | \$/Mcf | \$ 0.1778 | |
| + Second Previous Quarter Reported Actual Adjustment | \$/Mcf | \$ 0.0297 | |
| + Third Previous Quarter Reported Actual Adjustment | \$/Mcf | <u>\$ 0.4815</u> | |
| = Actual Adjustment (AA) | \$/Mcf | \$ 0.8408 | |
| <u>D. BALANCE ADJUSTMENT CALCULATION</u> | <u>Unit</u> | <u>Amount</u> | |
| Balance Adjustment for the Reporting Period (Schedule V) | \$/Mcf | \$ (0.0083) | Expires |
| + Previous Quarter Reported Balance Adjustment | \$/Mcf | \$ 0.0494 | |
| + Second Previous Quarter Reported Balance Adjustment | \$/Mcf | \$ (0.2165) | |
| + Third Previous Quarter Reported Balance Adjustment | \$/Mcf | <u>\$ 0.0611</u> | |
| = Balance Adjustment (BA) | \$/Mcf | \$ (0.1143) | |

SCHEDULE II
EXPECTED GAS COST

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| Actual* Mcf Purchase for 12 months ended | | | 01/31/04 | | | |
|--|-----------|-----------|-----------|-------|-------------------|--|
| (1) | (2) | (3) | (4) | (5) | (6) | |
| Supplier | Dth | Heat Rate | Mcf | Rate | (4) x (5) Cost | |
| Feb-03 Woodward Marketing | 1,493.5 | 1.034 | 1,444.34 | 5.340 | 7,712.78 | |
| Mar-03 Woodward Marketing | 1,527.7 | 1.034 | 1,477.50 | 5.340 | 7,889.85 | |
| Apr-03 Woodward Marketing | 479.5 | 1.034 | 463.76 | 5.340 | 2,476.48 | |
| May-03 Woodward Marketing | 480.6 | 1.034 | 464.84 | 5.340 | 2,482.25 | |
| Jun-03 Woodward Marketing | 674.1 | 1.034 | 651.89 | 5.340 | 3,481.09 | |
| Jul-03 Woodward Marketing | 560.2 | 1.034 | 541.73 | 5.340 | 2,892.84 | |
| Aug-03 Woodward Marketing | 453.4 | 1.034 | 438.51 | 5.340 | 2,341.64 | |
| Sep-03 Woodward Marketing | 383.0 | 1.034 | 370.38 | 5.340 | 1,977.83 | |
| Oct-03 Woodward Marketing | 1,129.1 | 1.034 | 1,092.01 | 5.340 | 5,831.33 | |
| Nov-03 Woodward Marketing | 1,374.2 | 1.034 | 1,328.97 | 5.340 | 7,096.67 | |
| Dec-03 Woodward Marketing | 920.9 | 1.034 | 890.64 | 5.340 | 4,756.01 | |
| Jan-04 Woodward Marketing | 2,166.8 | 1.034 | 2,095.51 | 5.340 | 11,190.04 | |
| Totals | 11,642.92 | 1.034 | 11,260.08 | 5.340 | 60,128.81 | |

Line losses are 13.28% for 12 months ended 1/31/2004 based on purchases of 11,260.1 Mcf and sales of 9,765 Mcf.

| | Unit | Amount |
|---|----------------|--------------|
| Total Expected Cost of Purchases (6) (to Schedule IA.) | \$ | \$ 60,128.81 |
| Expected Mcf Purchases (4) | Mcf | 11,260.08 |
| = Average Expected Cost Per Mcf Purchased | \$/Mcf | \$ 5.340 |
| Plus: Expected Losses of <u>12.30% (not to exceed 5%)</u> | (D26/0.95) Mcf | 10,278.95 |
| = Total Expected Gas Cost | \$ | \$ 54,889.59 |

Allowable Sales (maximum losses of 5%). \$ 54,889.59

*Or adjusted pursuant to Gas Cost Adjustment Clause and explained herein.

**Supplier's tariff sheets or notices are attached.

SCHEDULE III
SUPPLIER REFUND ADJUSTMENT

Details for the 3 months ended 1/31/2004

| <u>Particulars</u> | <u>Unit</u> | <u>Amount</u> |
|---|-------------|---------------|
| Total supplier refunds received | \$ | \$ - |
| + Interest | \$ | \$ - |
| <hr/> | | |
| = Refund Adjustment including interest | \$ | \$ - |
| + Sales for 12 months ended <u>1/31/2004</u> | Mcf | <u>9,765</u> |
| <hr/> | | |
| =Supplier Refund Adjustment for the Reporting Period (to Schedule IB.) | \$/Mcf | \$ - |

SCHEDULE IV
ACTUAL ADJUSTMENT

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For the 3 month period ended 1/31/2004

| <u>Particulars</u> | <u>Unit</u> | Month 1 <u>Nov-03</u> | Month 2 <u>Dec-03</u> | Month 3 <u>Jan-04</u> |
|--|-------------|--------------------------|--------------------------|--------------------------|
| Total Supply Volumes Purchased | Mcf | 1,328.97 | 890.64 | 2,095.51 |
| Total Cost of Volumes Purchased | \$ | \$ 8,372.19 | \$ 6,620.72 | \$ 14,248.53 |
| Total Sales (may not be less than 95% of supply volumes) (G8*0.95) | Mcf | <u>1,262.517</u> | <u>\$ 1,532.40</u> | <u>1,990.737</u> |
| = Unit Cost of Gas | \$/Mcf | \$ 6.6313 | \$ 4.3205 | \$ 7.1574 |
| - EGC in effect for month | \$/Mcf | <u>\$ 5.6209</u> | <u>\$ 5.6209</u> | <u>\$ 5.6209</u> |
| = Difference [(Over-)/Under-Recovery] | \$/Mcf | \$ 1.0104 | \$ (1.3004) | \$ 1.5365 |
| <u>x Actual sales during month</u> | Mcf | <u>884.60</u> | <u>1532.40</u> | <u>1679.90</u> |
| = Monthly cost difference | \$ | 893.84 | (1,992.75) | 2,581.19 |
| | | <u>Unit</u> | <u>Amount</u> | |
| Total cost difference (Month 1 + Month 2 + Month 3) | | \$ | \$ 1,482.29 | |
| + Sales for 12 months ended <u>1/31/2004</u> | | Mcf | <u>9,765</u> | |
| = Actual Adjustment for the Reporting Period (to Schedule IC.) | | \$/Mcf | \$ 0.1518 | |

SCHEDULE V
BALANCE ADJUSTMENT

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For the 3 month period ended 1/31/2004

| Line | Particulars | Unit | Amount |
|----------------|---|--------|-----------------------------------|
| (1) | Total cost difference from actual adjustment used to compute AA of the GCR effective four quarters prior to the effective date of the currently effective GCR. | | |
| 1 | | \$ | <u>286.28</u> Case No. 2002-00482 |
| 2 Less: | Dollars amount resulting from the AA of <u>0.0376</u> \$/MCF as used to compute the GCR in effect four quarters prior to the effective date of the currently effective GCR times the sales of <u>9,765</u> MCF during the 12 month period the AA was in effect. | | |
| 3 | | \$ | <u>367.16</u> |
| 4 Equals: | Balance Adjustment for the AA. | \$ | <u>(80.88)</u> |
| (3) | Total Supplier Refund Adjustment including interest used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR. | | |
| 5 | | \$ | <u>-</u> |
| 6 Less: | Dollar amount resulting from the RA of <u>-</u> \$/MCF as used to compute the OCR in effect four quarters prior to the effective GCR times the sales of <u>9,765</u> MCF during the 12 month period the RA was in effect. | | |
| 7 | | \$ | <u>-</u> |
| 8 Equals: | Balance Adjustment for the RA. | \$ | <u>-</u> |
| (3) | Total Balance Adjustment used to compute RA of the GCR effective four quarters prior to the effective date of the currently effective GCR. | | |
| 9 | | \$ | <u>-</u> |
| 10 Less: | Dollar amount resulting from the BA of <u>-</u> \$/MCF four quarters prior to the effective date of the currently effective GCR times the sales of <u>9,765</u> MCF during the 12 month period the BA was in effect. | | |
| 11 | | \$ | <u>-</u> |
| 12 Equals: | Balance Adjustment for the BA. | \$ | <u>-</u> |
| 13 | Total Balance Adjustment Amount (1) + (2) + (3) | \$ | <u>-80.88</u> |
| 14 Divided By: | Sales for 12 months ended 1/31/2004 | \$ | <u>9,765</u> |
| 15 Equals: | Balance Adjustment for the Reporting Period (to Schedule ID). | \$/MCF | <u>(0.0083)</u> |